17th Annual Report

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

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2003 - 2004 Highlights

- Centre reports strong growth for fourth consecutive year
- Lindane remediation project nears completion
- Accounts receivable issue unresolved between partners
- Community Liaison Committee maintains vigilant eye on centre operations
- Students tour centre site
- Centre poised for future expansion and development

Letter of Transmittal

The Honourable John Harvard
Lieutenant Governor of the
Province of Manitoba

May it please your Honour:

I have the honour of presenting to you the Annual Report for the Manitoba Hazardous Waste Management Corporation for the year ended March 31, 2004.

Honourable Stan Struthers
Minister of Conservation responsible for the Manitoba Hazardous Waste Corporation

Environmental Policy Statement

While the Manitoba Hazardous Waste Management Corporation is no longer directly operating a waste managment business, it remains committed to its original goals.

Its principal objective is to develop a Manitoba hazardous waste management system that will both preserve and enhance the quality of the environment in the province.

This is a fundamental element of the provincial government's broader policy of fostering universal environmental stewardship and sustainable economic development in Manitoba.

In carrying out its mandate, the corporation uses these guidelines as the basis for decision-making:

1. Recycling, re-use and recovery at source must be promoted, encouraged and carried out to minimize waste generation and maximize resource conservation.

2. All projects and activities related to hazardous waste management and disposal must be consistent with the protection of public health and environmental quality.

3. Public approval of the disposal system and its components must be earned through open and responsive communication and through public participation in all aspects of system development and operation.

4. Economic development will be encouraged and generated by a cost-effective waste management system that enhances environmentally-based enterprises.

5. Contemporary environmental values and policies will be fostered and promoted through public education and research, as well as by example.

6. The corporation will assume in perpetuity the environmental stewardship for all wastes and residues placed in its custody. •

105-03126/

OVERVIEW

This was the eighth year that Miller Environmental Corporation has operated the Manitoba Environmental Centre which was developed near St. Jean Baptiste by the Manitoba Hazardous Waste Management Corporation (MHWMC).

Miller Environmental was established in 1996 as a 50-50, public-private partnership between MHWMC, a provincial crown corporation, and Miller Waste Systems, a division of Miller Paving Ltd. of Markham, Ontario. Under the terms of the partnership, Miller Environmental is responsible for the operation of the environmental centre and its hazardous waste disposal business. The MHWMC owns the centre site and, as the landlord, is entitled to rent as its share of the profits.

Policy direction for Miller Environmental is shared by Miller Waste Systems and the Manitoba Government. Miller appoints five directors to the corporation's nine person board while the other four are provincial government nominees. As a stipulation of the partnership, two of the province's directors must be residents of the RM of Montcalm where the environmental centre is located on Highway 14, a mile west of the intersection with Highway 75. •

THE MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION BOARD

RICHARD A. GALLANT *Chairman and Chief Executive Officer*

Mr. Gallant has been Chair of the corporation since 1995 and a director since 1992. An active community worker in the RM of Montcalm, he is a former committee member of the Letellier school advisory council, a member of the Letellier volunteer fire department, the local Knights of Columbus and a church trustee. In the business world, he is co-owner of Gallant's Family Foods, Letellier's grocery store for over 80 years, as well as Del's Specialty Meats.

ROGER BARNABE *Manager, Finance & Administration*

Mr. Barnabe is an accountant & entrepreneur. In addition to running several corporations, Mr. Barnabe sits on several rural development boards in Canada and the US. He is President of the Montcalm Community Development Board, and Access Montcalm, a high speed internet rural initiative. Mr. Barnabe is also vice-chair of Northern Great Plains Inc. & Red River Trade Council, two Canadian / US rural development think tanks.

DIRECTORS

NANCY BETTCHER

Ms. Bettcher is a director of both the Manitoba Hazardous Waste Management Corp. and Miller Environmental Corp. She is Director, Marketing (U.S.) for Pollard Banknote Ltd. in Winnipeg. She graduated in commerce from the University of Manitoba and then took her Masters in Business Administration. She is a member of the Young Associates, a support group for the U of M's business school.

DR. ART CHOW

Dr. Chow is a professor of chemistry, analyst and researcher at the University of Manitoba. A runner and photographer, he is also on the executive of the Manitoba Marathon Foundation.

MURRAY CRADDOCK

Mr. Craddock is a Winnipeg staff representative for the Canadian Union of Public Employees. With more than 20 years of experience in labour relations, he handles contract negotiations and grievances for workers in the social care, day care and health care industries. Previously, he was on the boards of Blue Cross and the Society for Manitobans with Disabilities.

ALEX FORREST

Mr. Forrest, a member of the Winnipeg Fire Paramedic Service for the past 15 years, is president of the United Fire Fighters Union of Winnipeg. He is co-chair of the City of Winnipeg Safety Committee, and executive member of the Manitoba Federation of Labour and a district representative of the International Association of Fire Fighters. Trained to level one in hazardous materials handling, he works with fire fighters from across North America on emergency measures services, including hazardous materials response. Also licensed to practice law in Manitoba, he has a Bachelor of Laws Degree from the University of Manitoba and a Bachelor of Arts from the University of Manitoba.

DR. BILL PATON

Dr. Paton is a professor of biology at Brandon University. He is active in the Manitoba Association of Plant Biologists, Director of the Canadian Society For Environmental Biology and a former board member at Brandon University where he has taught since 1974. As well, he helped develop composting and recycling initiatives through his membership on the City of Brandon Solid Waste Management Committee.

GILLES SABOURIN

Mr. Sabourin is a life-long farmer in grains, oilseeds and special crops. He is a director of La Caisse Populaire and was also a partner in a car dealership for 10 years. Now in his second term as an RM of Montcalm municipal councillor, he has served on the environment sub-committee of Manitoba Pool Elevators and the Montcalm community liaison committee monitoring the MHWMC plant. He is a member of the Knights of Columbus, Montcalm Parks and Recreation and his church committee.

MESSAGE FROM CHAIRMAN AND CHIEF EXECUTIVE OFFICER
OF MANITOBA HAZARDOUS WASTE CORPORATION (MHWMC)

New faces are playing key roles in policy-making, management and operation of our crown corporation.

MHWMC now reports to recently-appointed Minister of Conservation Stan Struthers, the Dauphin MLA, and his new Deputy Minister Don Potter. We look forward to working with them and continuing the critical work our board has undertaken in developing a hazardous waste management system that preserves and enhances the quality of the Manitoba Environment.

While welcoming the newcomers, we must express appreciation for the support we received from former Conservation Minister Steve Ashton and his deputy Norm Brandson who have moved to the new department of Water Stewardship. Norm Brandson's long service as deputy minister of conservation and environment pre-dates the partnership agreement between the Manitoba Government and Miller Environmental Corp. in the mid-1990s.

Closer to home, we welcome new board appointees - Alex Forrest and Gilles Sabourin. Both bring unique and critically important perspectives and experience to the MHWMC board which now has a full slate of seven members.

Alex, a Winnipeg resident, is president of the United Firefighters Union and has a legal and hazardous waste management background. Gilles, a farmer in the RM of Montcalm, is a councillor for the municipality and former chairman of the Community Liaison Committee (CLC) which monitors the Manitoba Environmental Centre (MEC) operations and safeguards the interests of Montcalm citizens. We are pleased that these two men have now made a commitment to the work of the MHWMC.

On the operational side, we congratulate Ross Edmunds who has stepped up to the responsibilities of general manager for Miller Environmental in Manitoba. Ross, with a technical background, has been involved in the MEC since the beginning. He succeeds Vaughn Bullough who has capably directed Miller's Manitoba business for the past few years. Vaughn has left to head up the Miller waste team in Toronto, but still oversees the MEC in Manitoba.

One of the highlights of the past year was Miller Manitoba's agricultural chemicals contract, a round-up that rid many Manitoba farms of old unused chemicals. This helped Miller's business to remain strong for the fourth consecutive year, a positive for the MHWMC since it is due rent in years that Miller generates a profit.

Unfortunately, there is currently an accounts receivable issue between the two partners - MHWMC and Miller. In the past year, trying to resolve this problem has been and continues to be the major preoccupation of our board.

This is a critical issue that is testing the partnership. We believe the partnership is strong enough to survive and are hopeful there will soon be a resolution. The issue will be raised again at the next MEC board meeting.

We are also looking forward to the completion of Miller's business plan for the next few years. The much anticipated plan - outlining promising areas for product, processing and revenue growth - will serve as a road map for the MEC's future prosperity. Hopefully, it will move ahead in tandem with the Lindane composting project, nearing a conclusion after five years of trying several methods to dispose of this contaminated canola material.

From a technical standpoint, Dr. Art Chow of our board visited the MEC this year to examine environmental monitoring procedures and update the perspective he provides in his annual review of the centre's monitoring report. Every year the report contains a large amount of technical environ-

mental data produced by the MEC monitoring stations. It is part of the annual report that Miller submits to the province, the RM of Montcalm and the MHWMC.

Dr. Chow, a professor of chemistry, has been commissioned for a number of years to review and interpret the technical data. While this is primarily to inform the MHWMC board, we share the results with the Community Liaison Committee. This gives both groups an independent assessment of this critical component of the agreement between Manitoba, Montcalm and Miller Environmental.

Reaching further out to the community this year, we commissioned senior science students of Ecole Regionale de St. Jean Baptiste to study the MEC's operations. This initiative was designed to encourage a better understanding of the hazardous waste industry while simultaneously educating Montcalm youth about the workings and benefits of the centre. The students' conclusions appear on another page in this report.

We believe our board has a role to play in delivering an educational program to the community. We also feel the student initiative could be continued at different levels in years to come.

Again, we would like to thank all board members for another year of service. I believe that the Province of Manitoba is being well served by the dedication of the corporation's board of directors. •

Richard A. Gallant,
Chairman and Chief Executive Officer

MESSAGE FROM THE COMMUNITY LIAISON COMMITTEE

The past year was as eventful as previous ones in the continued development and evolution of the Manitoba Environmental Centre (MEC) operated in our community by Miller Environmental Corp.

The Community Liaison Committee (CLC) continues to meet regularly with Miller officials and receives and reviews all Miller and Manitoba Dept. of Conservation correspondence pertinent to the centre.

Recently, we received the latest environmental monitoring report on MEC operations, plus a review of the report from the Manitoba Hazardous Waste Management Corp. (MHWMC) board. The review, conducted by MHWMC board member Dr. Art Chow, plays a vital role in helping the committee to interpret the report.

The canola composting project by Mid-Canada Soils lingers into its fifth year. The withdrawal of services by consultant AXYS Agronomics has delayed the conclusion of what was supposed to be a much shorter project. Although odours have not been an issue in the past year, the CLC is concerned about the lack of progress in completing the composting of the canola contaminated Lindane material. This summer three rows of the material remained in the temporary remediation site set up two years ago west of the centre's soils building.

We feel the Dept. of Conservation dropped the ball on this project and that Mid-Canada Soils is not taking it seriously. As a committee, we will be more scrupulous in future about endorsing new projects at the MEC.

On a positive note, we are pleased with the management of the centre by Miller and its staff. During the past year, no serious spills occurred and no orders for corrective actions were issued by the Dept. of Conservation. It is the CLC's opinion that Miller's certification by the International Standards Organization (ISO) has resulted in a safer and more efficient waste treatment facility in our community.

Also worthy of mention was Miller's successful bid for the Crop Life program to collect outdated farm pesticides. The corporation has been bulking-up and disposing of waste pesticides collected from farms in the region south of the Trans-Canada Highway to the U.S. border. The program has worked well with more pesticides being picked up than was originally anticipated. This is a positive step toward cleaning up products that have been sitting in rural Manitoba farm yards for years. The program will resume next year in areas north of the Trans-Canada Highway.

The CLC continues to chip away at refinements to the Land Value and Agricultural Products Protection programs. These programs are designed to compensate local land owners if their properties or products are devalued in future because of the Manitoba Government's decision to locate the centre in the RM of Montcalm. The programs were agreed to in principle by the province and Montcalm during the initial stages of the centre's development. Since then, refinements have been ongoing so that the agreement can be implemented.

To move things forward, we met with Ed Yee of the Conservation Dept. in December, 2003. Subsequently, we received a draft of the agreement including most of the changes requested by the CLC. Our next step has been to hire an environmental lawyer to conduct a final review prior to the agreement's ratification.

Another significant development at MEC has been a changing of the guard in the general manager's position. In February, the CLC learned of the appointment of Ross Edmunds as general manager, succeeding Vaughn Bullough who has been transferred to head Miller's waste operations in Markham, Ont.

We congratulate both on their promotions and look forward to working closely with Ross in years to come. He is a familiar face to the committee as he has been around since the beginning of MEC.

The CLC also continues to renew itself with the addition of two new members in February, 2004. We welcome Yvan Bruneau, a grain trader with Roy Legumex, the local special crops processor, and Daniel Bruneau, a local resident and former employee at Miller Environmental. They replace Gilles Vermette and Gilles Sabourin who have completed their terms on the committee. We thank them for their service.

In conclusion, the CLC will continue to safeguard the interests of the community and looks forward to maintaining good working relations with the Dept. of Conservation and Miller Environmental. •

Gaetan Fontaine, Chairman
Montcalm Community Liaison Committee

OPERATIONS

In the past year, the Manitoba Environmental Centre (MEC) managed to increase both waste volumes and its customer total despite a highly competitive Manitoba market for the collection and disposal of hazardous waste.

Miller Environmental Corporation, operator of the centre, upped volumes by approximately five per cent in the 2003-04 fiscal year compared to the previous 12 months. The corporation also added several large new customers to its client roster of more than 300 in the Manitoba, Saskatchewan, Alberta and Northwestern Ontario markets.

The bustling level of activity was reflected in growth at the MEC plant in the RM of Montcalm. Miller has invested in a 2,160 square foot portable addition to the plant. The addition expands office space and also provides employees with a lunch room and changing room with showers and washroom facilities. As well, there has been a continuation of the investment program in new plant equipment started last year.

Miller's total staff rose to 28, including 17 at the plant and the remainder at the company's sales and service office in Winnipeg. There was a change at the top as Ross Edmunds was appointed general manager of Miller Environmental, succeeding Vaughn Bullough who was promoted to head Miller's waste operations in Markham, Ont.

Mr. Edmunds has been a chemist in the environmental field for 35 years and most recently was Miller's technical services manager. As he has been involved since the beginning, MEC will benefit from his immense knowledge of the plant operation, first with Manitoba Environment and then with the Manitoba Hazardous Waste Management Corporation (MHWMC) before he joined Miller.

During the year, Miller aggressively marketed its services to the biotechnology industry, increasing its business in disposing of outdated pharmaceuticals. It was also successful with a program to collect and rid Manitoba farms of old unused chemicals. The corporation is a major player in the disposal of wastes from the agricultural, transportation and manufacturing industries, but is handling fewer emergency spills because of better safety standards and methods.

In the residential sector, Miller collects and disposes of household hazardous wastes in the City of Winnipeg and major regional centres such as Brandon, Thompson, Selkirk and The Pas. The corporation has been doing this work for Manitoba Conservation since 1999 and will continue until its agreement with the province expires in April 2005.

This work is to be re-organized after next April to put the onus on individual municipalities, but Miller expects to be a bidder for most of the contracts.

Progress was also made in the past 12 months in neutralizing Lindane-contaminated Canola seed through composting and burying the seeds in rows in a field near the plant site. After working with a consultant for several years to develop this disposal method, Miller is confident the Lindane project will be completed by Dec. 2004.

The corporation is dealing with ever-more recycling and a shrinking, competitive market by controlling costs and aggressively selling its services. Miller officials expect more of the same next year, although that will not impede them from seeking additional waste streams and investing in the necessary processes. •

OUTLOOK

Officials of Miller Environmental Corporation are optimistic about prospects for the coming fiscal year.

They anticipate gains in waste disposal volumes ranging from five to seven per cent, almost a repeat of last year.

They stress, however, that the St. Jean de Baptiste plant is in more of a break-even position than a period of high growth. With more recycling, better pollution controls and dwindling waste streams, they face a situation where there is world-wide, over-capacity for the treatment and disposal of hazardous wastes.

With lots of competition out there, Miller plans to improve its market share by aggressively marketing its services and keeping a sharp eye on the bottom line to lower the cost of doing business. As part of this strategy, the corporation will seek opportunities to treat more types of hazardous waste, making full use of its Winnipeg sales office and agents across the prairie provinces. It has also met the standards of the International Standards Organization (ISO) of Geneva, Switzerland, so that customers will know they are dealing with a highly rated company.

To ensure efficiency in handling more business, Miller will re-invest revenues in the corporation and add more processes to treat extra waste streams. This will involve continued investment in new equipment, a program started last year.

Although the market is relatively flat with low profit margins, Miller is encouraged by both public and private concern for a clean environment and the initiatives being planned by municipalities, the provinces and the federal government.

Fully focused on the years ahead, the corporation is forecasting a fairly bright future of stable, steady and well-defined growth. •

STUDENTS TOUR MANITOBA ENVIRONMENTAL CENTRE

As part of our leadership course at Ecole Regionale Saint Jean Baptiste, we were asked to write a report on the Manitoba Environmental Centre operated by Miller Environmental Corporation.

We set off February 11, 2004, during a raging blizzard to visit the centre plant on Highway 14, a mile west of the intersection with Highway 75.

Until then, we had very limited knowledge about the centre and hazardous waste disposal. For those of us who had never taken chemistry, our information came solely from news stories in various media including newspapers and television. But we immediately started to acquire a broader view when we were introduced to Marcel Bissonnette, the plant's operations manager.

Marcel explained the history of the plant which started in the 1980s as a transfer station run by a provincial crown corporation - the Manitoba Hazardous Waste Management Corporation (MHWMC). It grew into a full-fledge hazardous waste processing plant after MHWMC signed a partnership agreement and turned over the day-to-day operations to Miller Environmental in 1996.

Marcel led the tour which covered both the office and plant. We met the office staff including Judy Bamabe, a certified management accountant (CMA) who is the administrative and accounting manager. She is responsible for all accounting functions such as payroll, inventory and financial statements.

We also visited three other sections of the plant - the transfer station, the processing building and the cold storage department. We were interested to learn that the plant handles inorganic wastes such as acids, alkalis and bases. The organics, including solvents and oil based paints, are blended and sent out as an alternate fuel for cement kilns.

Marcel showed us the dispatch room where all scheduling of incoming and outgoing wastes takes place. Incoming trailers with wastes must be unloaded within 72 hours of their arrival. We imagined how busy it must be when several trucks arrive at the plant on the same day.

Going into the tour, we were primarily concerned about safety at the plant. We felt it should be the most imperative factor because almost all our previous information had come from negative news stories focusing on tragic cases or mistakes resulting in either health problems or environmental mishaps.

Our concerns about the safety of workers and the surrounding environment started to abate when plant officials immediately made us put on hardhats, safety glasses and "booties", plastic covers that protect shoes from getting contaminated. This was our first hint that safety comes first.

We could see the individual workers have a great work ethic and take great care to keep our environment safe. They all wear PPE (personal protective equipment) including hardhats, safety glasses and work uniforms. Everything stays at the plant to prevent dangerous material from leaving the premises.

Next on the tour was the transfer station. We had an opportunity to see the area where workers receive waste and stage it if it has to be shipped to disposal grounds. The room was full of gaylors (large containers) filled with household wastes such as paint and bug spray cans. The workers also decontaminate and dispose of drug paraphenalia sent by law enforcement agencies. Some waste streams are sent out for incineration.

We then moved on to the processing building where we could see inorganic wastes being neutralized through processing. In the same building, there is a control room that oversees all operations. When there are problems, a sound warning system alerts all employees.

During the tour, there was a change in our initial negative impression of hazardous wastes based on media accounts. Instead of our very limited view of how hazardous waste is handled, we were given the opportunity to make our own assessments.

We were pleased to see that Miller workers take great responsibility in keeping our environment safe and clean from hazardous wastes. We thank Miller Environmental for providing us with the chance to learn more about an outstanding world- class facility so close to home. •

Sincerely,

Jacynthe Sabourin
Stephanie Bissonnette
Brittany Checkley
Melissa Marion

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Auditors' Report

To the Members of
MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

We have audited the balance sheet of **MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION** as at March 31, 2004 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP
Chartered Accountants

Winnipeg, Manitoba
June 14, 2004

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

Balance Sheet

March 31	2004	2003
Assets		
Current Assets		
Cash and bank	$ 161,693	$ 195,360
Rent receivable (Note 3)	110,730	89,615
	272,423	284,975
Long-term investment - Miller Environmental Corporation	1,000,000	1,000,000
Capital assets - land, at cost	170,305	170,305
	$ 1,442,728	$ 1,455,280
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 10,999	$ 10,503
Equity		
Share capital (Note 2)	7,500,000	7,500,000
Deficit	(6,068,271)	(6,055,223)
	1,431,729	1,444,777
	$ 1,442,728	$ 1,455,280

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Statement of Operations and Deficit

For the year ended March 31	2004	2003
Revenue		
Gross profit rent (Note 3)	$ 21,115	$ 11,845
Expenses		
General and administrative expenses	34,163	29,393
Loss before other items	(13,048)	(17,548)
Other Items		
Impairment of deferred development costs (Note 1)	-	(3,301,925)
Writedown of long-term investment	-	(2,000,000)
	-	(5,301,925)
Net loss for the year	(13,048)	(5,319,473)
Deficit, beginning of year	(6,055,223)	(735,750)
Deficit, end of year	$ (6,068,271)	$ (6,055,223)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Statement of Cash Flows

For the year ended March 31	2004	2003
Cash Flows from Operating Activities		
Net loss for the year	**$ (13,048)**	$ (5,319,473)
Adjustments for		
Impairment of deferred development costs	**-**	3,301,925
Writedown of long-term investment	**-**	2,000,000
	(13,048)	(17,548)
Changes in non-cash working capital balances		
Rent receivable	**(21,115)**	(11,845)
Accounts payable and accrued liabilities	**496**	309
Decrease in cash and cash equivalents for the year	**(33,667)**	(29,084)
Cash and cash equivalents, beginning of year	**195,360**	224,444
Cash and cash equivalents, end of year	**$ 161,693**	$ 195,360

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Summary of Significant Accounting Policies

March 31, 2004

Nature of Business

The Manitoba Hazardous Waste Management Corporation was established under the Manitoba Hazardous Waste Management Corporation Act. The organization, as an agent of the Government of the Province of Manitoba, is responsible to establish, operate, and maintain in accordance with all applicable laws in the province, a hazardous waste management system in Manitoba. This system must be operated and maintained in a manner that will protect the health and safety of the public and preserve the environment. Effective January 1, 1996, the organization entered into various agreements with Miller Waste Systems, a division of Miller Paving Limited and Miller Environmental Corporation (Miller) for the continued operation of the hazardous waste management system in Manitoba.

These agreements provide for the transfer of certain assets and liabilities to Miller in exchange for 50% of the common shares and all the Class A special preferred shares of Miller. Under the agreements, the organization retains title to its land holdings which are being leased to Miller for an indefinite term, contingent on Miller's continued existence and operation of the hazardous waste management system.

Financial Instruments

The organization's financial instruments consist of cash, rent receivable, long-term investments, accounts payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Basis of Accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Long-term Investments

The investment in Miller Environmental Corporation is recorded at cost of $3,000,000 less $2,000,000 writedown in 2003 to represent the estimated value of the investment after taking into consideration an impairment in value.

Rental Income

According to the terms of the site lease with Miller, rental income is based on a percentage of Miller's gross profits.

1. Deferred Development Costs

	2004	2003
Balance, beginning of year	$ -	$ 3,301,925
Impairment of deferred development costs	-	(3,301,925)
Balance, end of year	$ -	$ -

Deferred development costs of $3,301,925 have been written off during the 2003 year in recognition of a permanent impairment in value.

2. Share Capital

The authorized capital of the organization is 350,000 shares for a maximum consideration of $35,000,000.

The issued capital is as follows:

	2004	2003
75,000 common shares	$ 7,500,000	$ 7,500,000

3. Gross Profit Rent

On January 1, 1996, Miller Environmentall Corporation (MEC) entered into a site lease agreement with the Manitoba Hazardous Waste Management Corporation (MHWMC). Under the terms of the agreement, MEC is committed to annual rent payments of 20% of gross profit to a maximum of $500,000 for each calendar year.

The estimated rental profit receivable based on the audited financial statements of MEC for the fiscal years ending February 28, 2004, 2003, 2002 and 2001 is as follows:

February 28, 2004	$ 21,115
February 28, 2003	16,998
February 28, 2002	57,323
February 28, 2001	15,294
	$ 110,730

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Notes to Financial Statements

March 31, 2004

4. Contingencies

Under the terms of the agreements with Miller Environmental Corporation, MHWMC would be responsible for any claims prior to January 1, 1996 not disclosed during the due diligence process. Any future removal and site restoration costs would be the responsibility of Miller and the Province of Manitoba. An estimate of these costs cannot be determined and therefore no provision has been made in the financial statements for any such costs.

5. Economic Dependence

The organization is economically dependent on Miller Environmental Corporation. The organization's main future sources of revenue are site lease rental revenue and dividend income from its affiliate.

6. Public Sector Compensation

Pursuant to the disclosure required by the Public Sector Compensation Disclosure Act, the remuneration paid to Board members during the year, in aggregate, totalled $11,543. No employee's compensation exceeded $50,000 per year.

7. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

BOARD OF DIRECTORS

Mr. Richard Gallant, Chairmain and CEO
Dr. Art Chow
Ms. Nancy Bettcher
Mr. Murray Craddock
Mr. Alex Forrest
Dr. Bill Paton
Mr. Gilles Sabourin

Richard Gallant and Gilles Sabourin are representatives of the Rural Municipality of Montcalm under the Manitoba - Montcalm Co-Management Agreement.

MHWMC MANAGEMENT

Mr. Richard Gallant, Chairman and CEO
Mr. Roger Barnabé, Manager, Finance and Administration

MILLER ENVIRONMENTAL CORPORATION

Provincial appointees to the Miller Environments Corporation board of directors

Mr. Florent Beaudette, St. Jean Baptiste *
Mr. Richard Gallant, Letellier *
Mr. Chris O' Grady, Winnipeg
Ms. Nancy Bettcher, Winnipeg

* Representatives of the Rural Municipality of Montcalm
Note: The other five members of this nine-member board are chosen by Miller Waste Systems, the joint venture partner with the MHWMC.

MEC MANAGEMENT

Mr. Ross Edmunds, General Manager
Ms. Judy Barnabé, Administration and Accounting Manager
Mr. Marcel Bissonnette, Plant Operations Manager
Ms. Tammy Shimoji, Customer Service Manager

NOTES

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

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